



Neil H Gendreau

02/28/2003 02:28 PM

To: pegrickbourgeois@attbi.com
CC:
Subject: Request to submit E-mail message to Barry Murphy via AEFA Communications

I'm not sure whether the cc: entry sends my message to you as well, so here you go, if you haven't already received:

----- Forwarded by Neil H Gendreau/Field/WH/AEFA on 02/28/2003 02:25 PM -----



Neil H Gendreau

02/28/2003 02:25 PM

To: AEFA Communications@AMEX
cc: pegrickbourgeois@attbi.com
Subject: Request to submit E-mail message to Barry Murphy via AEFA Communications

To AEFA Communications:

Rick and Peg Bourgeois, two exceptional clients of mine, took the opportunity yesterday to engage in a conference call with Chris Johnson, Director of Financial Accounts - Strategy & Delivery, and a valuable member of our technology team.

The Bourgeois had/have concerns about the delivery of the "One Account" system, and the accompanying frustrations that have been experienced with delayed implementation.

Overall, our conversation yesterday resulted in a productive outcome. We have gained some insight as to the reasons behind the delay, methodologies that are being employed to develop the system, and options that have been explored to expediate progress. Speaking for myself, I feel that our conversation with Chris was a sincere gesture on the part of American Express to communicate a reciprocal concern, but not without emphasis for the need to improve communication with end-users and the field. With the pending uncertainties of integrating a complex data system, clients and advisors need to be informed of progress and obstacles that may impact the completion date. That way, we will not feel misled by pitfalls that are bound to happen with such a complex project.

I speak on behalf of the Bourgeois to request how they may communicate constructive comments about their experiences, pro and con, to Barry Murphy, our executive vice-president. We feel it to be important that such concerns are representative of many other clients and advisors, and should be fully understood from the top down. I assume that since your department is the source of disbursement for Barry's communication, perhaps you may recommend what forum may be best for the Bourgeois to communicate their concerns with Barry, whether you may act as a conduit, or if not, whether there is another venue available.

Your response is greatly appreciated. Please reply directly to rickpegbourgeois@attbi.net, and copy to my Lotus Notes address.

Thank you for your assistance.

*D.I. not
become
operational
until
Sept 2003*

Regards,
Neil Gendreau, CFP

- iii. After more than one year since the original rollout, AEFA clients still need to call a toll free number to integrate the on-line reporting of their brokerage accounts with other investment products at AEFA.

- vi. **Independent Advisor's Assessment of Administrative Procedures Providing Superior Customer Service, particularly in regard to technology available to Independent Advisor and clients – Due diligence of the Independent Advisor and the documented evidence contained wherein clearly indicate AEFA business systems to be ineffective, inefficient, time consuming, and dysfunctional. Furthermore, any modest improvements to "the System" are encumbered by delinquent and incomplete implementation, contributing little benefit to a poorly functioning system overall. Meanwhile, the Franchise Agreement clearly places the advisor affiliate at a high dependency upon AEFA sanctioned systems, hardware, and software. These observations and experiences of the Independent Advisor clearly depict AEFA's failure to honor the expectations of a higher brand standard as suggested by the Franchise Agreement. These successive and continuing breaches nullify the validity of this agreement as a legal contract, and therefore, there should be no further obligation of the defendant to the plaintiff for claims made in the original complaint submitted by AEFA.**

6. Threatened Injury to the Defendant far outweighs Threatened Injury to the Plaintiff –

- a. AEFA asserts that the reciprocal is true.
- b. Financials for American Express (AXP) and AEFA's contribution to the corporation:
 - i. AXP, expected revenue for Fiscal '04 - \$28 billion
 - ii. AXP, expected net income after taxes for Fiscal '04 - \$3.4 billion
 - iii. AXP, total cash items, yr end December 31st, 2003 - \$5.7 billion
 - iv. American Express Financial Advisors contributes 17% of AEFA's revenues.
- c. Defendant's year to date income has been accurately depicted by the Plaintiff's complaint.
- d. The Plaintiff's assertion regarding the magnitude of injury to the corporation is out of proportion to common sense and reality. Other than creating a local stir, any legal fees sustained by the plaintiff to defend its alleged claims against the Independent Advisor bear minimal financial impact to the corporation as a whole while the Independent's Advisor inability to conduct business with existing clients and the possibility to sustain two sets of legal expenses pose far greater personal damage and financial burden to the Independent Advisor. (See attached report issued

by Standard & Poors, which depicts condensed financials for AXP, of which AEFA is a subsidiary, representing a 17% contribution to revenues of the parent company.)

**STANDARD
& POOR'S**

American Express Company

Stock Report
October 23, 2004
NYSE Symbol: AXP

Recommendation:

HOLD ★ ★ ★

12-Month Target Price: **\$56.00**
(as of July 26, 2004)

Sector: **Financials**
Sub-Industry: **Consumer Finance**
Peer Group: **Consumer Finance - Credit Cards**

AXP has an approximate 0.64% weighting in the **S&P 500**
Summary: AXP, a leader in travel-related services, is also active in investment services, expense management services, and international banking.

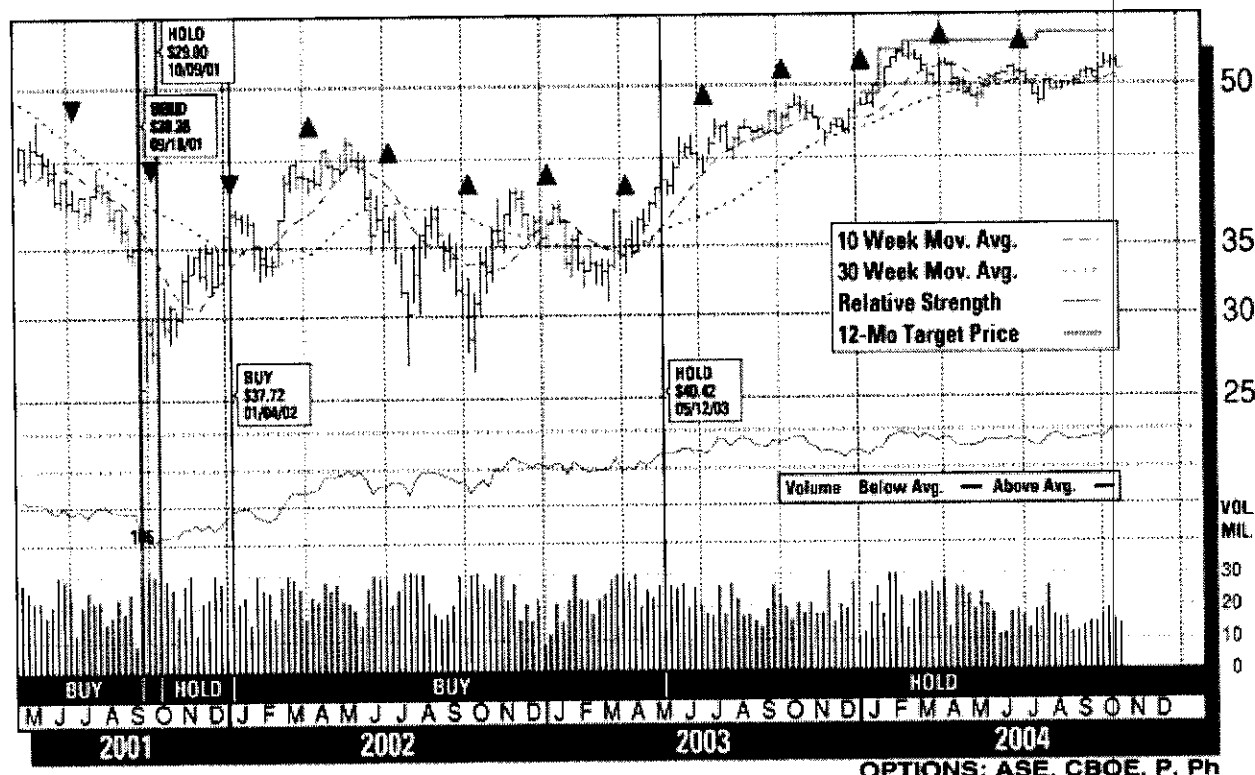
Price as of 10/22/04:

\$51.73

2004E S&P Core EPS:

\$2.54

GAAP Earnings vs. Previous Year
▲ Up ▼ Down ► No Change



Analyst commentary prepared by Evan Momios, CFA /MF/JWP

Highlights August 19, 2004

- Strong average cardmember spending, growth in cards in force and acquisition benefits allowed the company to exceed its long-term revenue growth target of 8% in the first half of 2004. Expense control, combined with solid credit quality, further boosted the bottom line.
- We believe economic conditions are likely to remain favorable in the 2004 second half, and look for continued corporate and consumer spending to support Travel and Related Services (TRS) revenue growth while increases in marketing expenses should moderate net income growth. In our view, results at AXP's fund unit, American Express Financial Advisors (AEFA), should benefit from what we see as stable market conditions for the rest of the year and the acquisition of Threadneedle Asset Management (completed in the fourth quarter of 2003). We do not expect the

Quantitative Evaluations

S&P Earnings & Dividend Rank:
A-

D	C	B-	B	B+	A-	A	A+
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S&P Fair Value Rank: **3+**

1	2	3	4	5
Lowest				Highest

Fair Value Calc: **\$52.00** (Fairly Valued)

S&P Investability Quotient
Percentile

95
1 Lowest Highest 100

AXP scored higher than 95% of all

announced issuance of American Express cards by MBNA (KRB: \$24) to have a meaningful impact on 2004 EPS.

- Overall, we see EPS rising to \$2.70 in 2004 and \$3.04 in 2005, from \$2.31 in 2003. Our 2004 and 2005 Standard & Poor's Core earnings per share estimates are \$2.54 and \$2.88, respectively, reflecting employee stock option expense.

Investment Rationale/Risk August 19, 2004

- We would hold existing positions. We believe the current valuation fairly reflects the company's strong brand name and growth prospects.
- Risks to our recommendation and target price include a possible deterioration of consumer confidence that could impact domestic consumer spending, a rise in unemployment that could pressure credit quality, a drop in investor confidence, and a serious geopolitical event that could impact domestic equity markets.
- Our 12-month target price of \$56 values the stock at 18.5X our 2005 EPS estimate, which we think is an appropriate valuation multiple based on the company's positive operating outlook and average historical valuation. At recent levels, the shares trade at approximately 18.5X our 2004 EPS estimate, compared to about 17X and 22X 12-month forward EPS on average during the past three years and five years, respectively.

companies for which an S&P Report is available.

Volatility: Low

Low	Average	High
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Technical Evaluation: BULLISH

Since August, 2004, the technical indicators for AXP have been BULLISH.

Relative Strength Rank: Moderate

53
1 Lowest Highest 99

Key Stock Statistics

S&P Core EPS 2005E	2.88	52-week Range	\$55.00-\$43.53
S&P Oper. EPS 2004E	2.70	12 Month P/E	20.4
P/E on S&P Oper. EPS 2004E	19.2	Beta	1.16
S&P Oper. EPS 2005E	3.04	Shareholders	47,967
Yield	0.9%	Market Cap (B)	\$ 65.6
Dividend Rate/Share	0.48	Shares Outstanding (M)	1267.8

Value of \$10,000 invested five years ago: \$ 10,862

Dividend Data

(Dividend have been paid since 1870)

Amount (\$)	Date Decl.	Ex-Div. Date	Stock of Record	Payment Date
0.100	Nov. 18	Dec. 30	Jan. 02	Feb. 10 '04
0.100	Mar. 22	Mar. 31	Apr. 02	May. 10 '04
0.100	May. 25	Jun. 30	Jul. 02	Aug. 10 '04
0.120	Sep. 27	Oct. 06	Oct. 08	Nov. 10 '04

Revenues/Earnings Data

Fiscal year ending December 31

Revenues (Million \$)

	2004	2003	2002	2001	2000	1999
1Q	6,910	6,023	5,759	5,719	5,657	4,971
2Q	7,258	6,356	5,945	5,268	5,970	5,298
3Q	--	6,419	5,907	5,724	5,981	5,311
4Q	--	7,068	6,196	5,871	6,067	5,699
Yr.	--	25,866	23,807	22,582	23,675	21,278

Earnings per Share (\$)

	2004	2003	2002	2001	2000	1999
1Q	0.66	0.53	0.46	0.40	0.48	0.42
2Q	0.68	0.59	0.51	0.13	0.54	0.47
3Q	E0.66	0.59	0.52	0.22	0.54	0.47
4Q	E0.70	0.60	0.52	0.22	0.50	0.44
Yr.	E2.70	2.31	2.01	0.98	2.07	1.81

Next earnings report expected: late-October. Source: S&P, Company Reports. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Business Summary August 19, 2004

American Express, probably best known for its flagship charge card and travelers cheque products, also offers travel related services, financial advisory services, and international banking services. The company's growth strategy focuses on three principal themes: expanding its international presence, strengthening the charge card network, and broadening financial services offerings. AXP's long-term internal financial targets include 8% annual revenue growth, 12% to 15% annual earnings per share growth, and 18% to 20% return on equity.

Travel Related Services (TRS, 81% of 2003 managed basis revenues) markets travelers cheques and the American Express Card, including the Gold Card, the Platinum Card, the Corporate Card, and the Optima Card. At the end of 2003, cards in force worldwide aggregated \$60.5 million, up 5.6% from the level a year earlier. Growth was driven by greater card acquisition activities in the consumer and small business segments, and improved customer retention. Managed charge card receivables totaled \$28.4 billion at the end of 2003, up from \$26.3 billion a year earlier. The company believes that TRS has the largest card issuing business in the world, based on charge

volume. In 2003, TRS's charge volume was \$352 billion, with about 26% coming from cardmembers domiciled outside the U.S. Cards are currently issued in 45 currencies, including cards issued by third-party banks and other qualified institutions.

TRS has introduced several new revolving credit card products and features designed to meet the needs of specific customer segments, and to increase consumer loans outstanding. It has also expanded its Membership Rewards program to include a broader range of travel rewards and retail merchandise and gourmet gifts. The program remains an important part of TRS's strategy to increase cardmember spending and loyalty.

Financial Advisors (17%) provides financial products including financial planning and advice, insurance and annuities, investment products such as certificates, mutual funds and limited partnerships, investment advisory services, trust and employee plan administration services, personal auto and homeowners' insurance, and retail securities brokerage services. At the end of 2003, AXP had a sales force of more than 12,121 financial planners. Managed and administered assets totaled \$365.3 billion, up from \$230.6 billion a year earlier.

American Express Bank Ltd. (3%) offers personal financial and private banking services to customers outside the U.S. At the end of 2003, American Express Bank had loans totaling \$6.5 billion, up from \$5.6 billion at the end of 2002, and deposits totaling \$10.8 billion, up from \$9.5 billion a year earlier.

In October 2003, AXP acquired Rosenbluth International, a global travel management company, for an undisclosed amount. In September 2003, the company acquired Threadneedle Asset Management Holdings LTD from Zurich Financial Services Group, for about \$565 million in cash.

Company Financials Fiscal year ending December 31

Per Share Data (\$)

(Year Ended December 31)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Tangible Book Value	11.93	10.62	9.04	8.81	7.53	7.18	6.84	6.01	5.53	4.19
Earnings	2.31	2.01	0.98	2.07	1.81	1.54	1.38	1.30	1.04	0.89
S&P Core Earnings	2.09	1.68	0.73	NA	NA	NA	NA	NA	NA	NA
Dividends	0.38	0.32	0.32	0.32	0.30	0.30	0.30	0.38	0.30	0.31
Payout Ratio	16%	16%	33%	15%	17%	19%	22%	29%	29%	35%
Prices:High	49.11	44.91	57.06	63.00	56.29	39.54	30.50	20.12	15.04	11.04
Prices:Low	30.90	26.55	24.20	39.83	31.62	22.33	17.87	12.87	9.66	8.33
P/E Ratio:High	21	22	58	30	31	26	22	15	15	12
P/E Ratio:Low	13	13	25	19	18	14	13	10	9	9

Income Statement Analysis (Million \$)

Cards in Force	60.5	57.3	55.2	51.7	46.0	42.7	42.7	41.5	37.8	36.3
Card Charge Volume	352,200	311,400	298,000	296,700	254,100	227,500	209,200	184,000	163,000	141,000
Premium Income	1,366	802	674	575	517	469	424	395	735	783
Commissions	16,550	15,463	15,816	16,407	3,626	3,304	4,386	2,540	2,542	8,591
Interest & Dividends	3,063	2,991	3,049	4,277	4,679	4,631	2,750	4,357	4,531	4,120
Total Revenues	25,866	23,807	22,582	23,675	16,599	14,501	17,760	16,237	15,841	14,282
Net Before Taxes	4,247	3,727	1,596	3,908	3,438	2,925	2,750	2,664	2,183	1,891
Net Income	3,000	2,671	1,311	2,810	2,475	2,141	1,991	1,901	1,564	1,380
S&P Core Earnings	2,723	2,245	986	NA	NA	NA	NA	NA	NA	NA

Balance Sheet & Other Financial Data (Million \$)

Total Assets	175,001	157,253	151,100	154,423	148,517	126,933	120,003	108,512	107,405	97,006
Cash Items	5,726	10,288	7,222	8,487	7,471	4,092	4,179	2,677	3,200	3,433
Investment Assets:Bonds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	36,772	23,026
Investment Assets:Stocks	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Investment Assets:Loans	33,411	29,003	27,401	26,884	24,332	21,861	20,816	18,518	21,595	29,830
Investment Assets:Total	57,067	53,638	46,488	43,747	43,052	41,299	59,757	56,857	58,652	54,830
Accounts Receivable	31,269	29,087	29,498	30,543	26,467	22,224	21,774	20,491	19,914	17,147
Customer Deposits	21,250	18,317	14,557	13,870	12,197	10,398	9,444	9,555	9,885	10,013
Travel Cheques Outstanding	6,819	6,623	6,190	6,127	6,213	5,823	5,634	5,838	5,697	5,271
Debt	30,809	16,819	8,288	5,211	6,495	7,519	7,873	6,552	7,570	7,162
Common Equity	56,499	51,210	44,800	11,466	10,095	9,698	9,574	8,528	8,020	6,233
% Return on Assets	1.8	1.7	0.9	1.9	1.8	1.7	1.7	1.8	1.5	1.4

7. Summary and Conclusion by the Defendant. Declarations as Independent Advisor –

- a. Based on the overwhelming evidence that has been presented against the plaintiff, the Defendant contends that AEFA retains no contractual rights to client data. All confidential client data has been procured by the defendant, the Independent Advisor, CFP, who bears a fiduciary responsibility to protect the privacy and confidentiality of such client data.
- b. The failure of the plaintiff to demonstrate any legal entitlement to highly privileged confidential data places AEFA at no less of a disadvantage than any other competitor within the financial industry.
- c. The defendant's reply has clearly demonstrated the plaintiff's breach of contract for failure to provide a successful "System" to the Independent Advisor that is consistent with enhanced brand standards, and conducive for a successful practice which enables a higher level of quality service for clients. Frequent and recurring material breaches of contract have been demonstrated to have been committed by the plaintiff in the following areas:
 - i. Distinctive Products and Services
 - ii. Advertising and Promotional Programs
 - iii. Administrative Procedures Providing Superior Customer Service, including Consolidated Statements...and On-Line Services Directed to all Clients
- d. The plaintiff's breaches have caused irreparable and immeasurable damage to the advisor's practice in the form of lost productivity and missed opportunities that have become apparent as a member of "the System". The extent of harm suffered by the defendant has been well in excess of those inconveniences suffered by the plaintiff during its attempts to legally protect a brand image that has no material value to the Independent Advisor or his clients.
- e. Therefore, the defendant asserts that plaintiff has no legal right to enforce non-competitive covenants, neither on the basis of Temporary Injunction, nor via the imposition of a one year period of relief.
- f. It has been the defendant's fiduciary responsibility as Independent Advisor to locate alternative broker/dealers for pursuing business with existing and future clients. With due diligence, and upon closer inspection, I have discovered a visionary platform that will be more conducive for the current and future needs of my clientele. As the financial circumstances of my clients evolve, they will be more effectively served under this new platform. I am proud to be an affiliate of National Financial Partners. American Express Financial Advisors is the K-Mart of financial planning.
- g. The Franchise Agreement as defined by AEFA is a convoluted agreement of indentured servitude disguised as a venue for affiliated advisors to

operate their businesses as fictitious independents. AEFA has consistently nullified the legality of its own written instrument with its failure to execute any measurable deliverable to advisors or its clients. It has been the sole accountability of the Independent Advisor, who has assumed all the responsibilities, due diligence, and expenses for managing a successful business, and who has attracted meaningful relationships with clients that bear little relation to the presence of AEFA other than as a place where their investments are held in custody.

- h. As I discuss these observation with my clients, many agree, some do not. Some clients will remain loyal to AEFA. For other clients, it may only be a practical consideration to transfer a portion of their account values. For other clients, a full transition may appear more seamless. A majority of my clients will retain at least a portion of their account value with AEFA. Providing the client with choices constitutes fair trade.
- i. The defendant asserts that his seemingly contentious departure from AEFA represents a just response to the historical injustices suffered at the hands of "the System", an endless bureaucracy that has been created by AEFA to impose its' infrastructure on advisors and the industry at large.
- j. My days of indentured servitude with American Express Financial Advisors end with this notification of counterclaim and reply. It's time that a new precedent is set. This dinosaur is dead.

I declare under the pains and penalties of perjury that the aforementioned claims are true and correct to the best of my knowledge:



Neil H. Gendreau, CFP
Defendant
American Express Financial Advisors, Inc. (Plaintiff) vs. Neil H. Gendreau
United States District Court
District of Massachusetts
Case Number 04-40221

November 1st, 2004